

Message Text

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LONDON FOR SEITZ

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TAGS: EAID, EAGR, EFIN, EINV, MPOL, PGOV, PINS, PINT, SHUM, GH

SUBJ: GHANA: POLITICAL-ECONOMIC TRENDS AND RECOMMENDED U.S.

POLICY

REF: (A) ACCRA A-1 (B) ACCRA A-4

1. THIS TELEGRAM SUMMARIZES THE CONCLUSIONS OF THE TWO REFERENCED AIRGRAMS CONCERNING POLITICAL AND ECONOMIC TRENDS IN GHANA AND OUR RECOMMENDED POLICIES.

2. IN 20 YEARS OF INDEPENDENCE, GHANA HAS EXPERIMENTED WITH PARLIAMENTARY, ONE-PARTY AND MILITARY GOVERNMENTS -- EACH TIME WITH UNHAPPY RESULTS. THE COUNTRY'S FORTUNES ARE NOW AT A LOW EBB AND COULD SINK FURTHER UNDER THE FORTHCOMING EXPERIMENT, A NON-PARTY UNION GOVERNMENT, UNLESS THIS LATEST ATTEMPT IN FACT GENERATES THE SELF

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DISCIPLINE, ENTHUSIASM AND ORGANIZATION NEEDED TO CREATE A FORWARD MOMENTUM. BARRING ASSASSINATION, A COUP OR ACT OF GOD, THIS POORLY DEFINED CONCEPT IS LIKELY TO BE APPROVED IN 1978 AND USHERED IN DURING 1979. HEAD OF STATE GENERAL I.K. ACHEAMPONG IS NOW CAMPAIGNING EFFECTIVELY TO STAY ON IN POWER AS PRESIDENT UNDER A UNION GOVERNMENT AND WILL VERY PROBABLY SUCCEED, IF ONLY

BECAUSE HE IS LIKELY TO BE UNOPPOSED. OVER THE NEXT TWO YEARS GHANA IS LIKELY TO CONTINUE TO BE IMPOVERISHED BY MISMANAGEMENT, MISALLOCATION OF RESOURCES AND THE SAME KIND OF BLATANT CORRUPTION THAT IS NOW TAKING PLACE.

3. THE DEGREE OF MISMANAGEMENT LEADS US TO CONCLUDE THAT, DESPITE GHANA'S RELATIVELY BOUNTIFUL NATURAL AND HUMAN RESOURCES, NO SIGNIFICANT ECONOMIC DEVELOPMENT IS LIKELY IN THE NEAR-TERM. CERTAINLY, THE RECENT RECORD IS POOR. PER CAPITA INCOME DECLINED BY AN ANNUAL AVERAGE OF TWO PERCENT FROM 1971 TO 1976, I.E., FROM THE YEAR BEFORE THE PRESENT REGIME TOOK OFFICE. PER CAPITA INCOME DID NOT RISE IN CY 1977 AND WE PROJECT IT WILL DECLINE AGAIN IN CY 1978, DESPITE EXTRAORDINARY RESOURCE AVAILABILITIES. AS A RESULT OF RECORD-HIGH COCOA PRICES, FOREIGN EXCHANGE IN GHANA WAS NOT SCARCE IN CY 1977 AND WILL NOT BE SCARCE IN CY 1978, PUBLICIZED "SHORTAGES" OF FOREIGN EXCHANGE RESULT FROM MISMANAGEMENT.

4. IN THE CURRENT PRE-ELECTION SITUATION AND THROUGH THE MID-1979 TARGET DATE FOR POLITICAL CHANGE-OVER TO CIVILIAN RULE, MANY ECONOMIC DECISIONS ARE BASED ON SHORT-TERM POLITICAL CONSIDERATIONS; HENCE THE OUTLOOK IS FOR MERE STOP-GAP MEASURES RATHER THAN COMPREHENSIVE POLICY CHANGES SUCH AS THE AUSTERITY MEASURES INVOLVED IN THE STABILIZATION PROGRAMS RECOMMENDED BY THE IMF
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AND THE IBRD. THIS PRE-ELECTION PERIOD WILL COINCIDE WITH THE SECOND (1978) OF TWO YEARS OF ESTIMATED HIGH FOREIGN EXCHANGE EARNINGS, EARNINGS WHICH COULD BE DEVOTED TO DEVELOPMENT.

5. AGAINST THIS BACKGROUND AND OUTLOOK, FOREIGN ASSISTANCE AND PRIVATE FOREIGN INVESTMENT ARE OPERATING IN A CLIMATE NOT WHOLLY CONDUCIVE TO REAL DEVELOPMENT AND GROWTH. WHILE FOREIGN ASSISTANCE EFFORTS HERE ARE NOT NECESSARILY WASTED, THEY MAKE A FAR LESS EFFECTIVE CONTRIBUTION TO ECONOMIC DEVELOPMENT THAN WOULD ECONOMIC POLICY CHANGES BY THE GOG. SIMILARLY, LITTLE NEW FOREIGN INVESTMENT IS BEING ATTRACTED TO GHANA.

6. WE THEREFORE SUGGEST THAT OUR INVOLVEMENT IN THIS COUNTRY SHOULD, AT BEST, BE MAINTAINED AT PRESENT LEVELS UNTIL PRESENT GOG POLICIES CHANGE AND THE NATION'S SELF-HELP EFFORTS IMPROVE. OUR PRESENT LEVELS OF AID, PEACE CORPS PRESENCE AND MILITARY TRAINING PROGRAMS ARE ALL ADEQUATE TO MAINTAINING OUR CURRENT EXCELLENT RELATIONS WITH GHANA AND, WHILE WE MAY NEED SOME MODEST FLEXIBILITY, THERE IS NO NEED FOR THOSE

PROGRAMS TO GROW SIGNIFICANTLY DURING THIS PERIOD OF
RESOURCE WASTE. SMITH

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